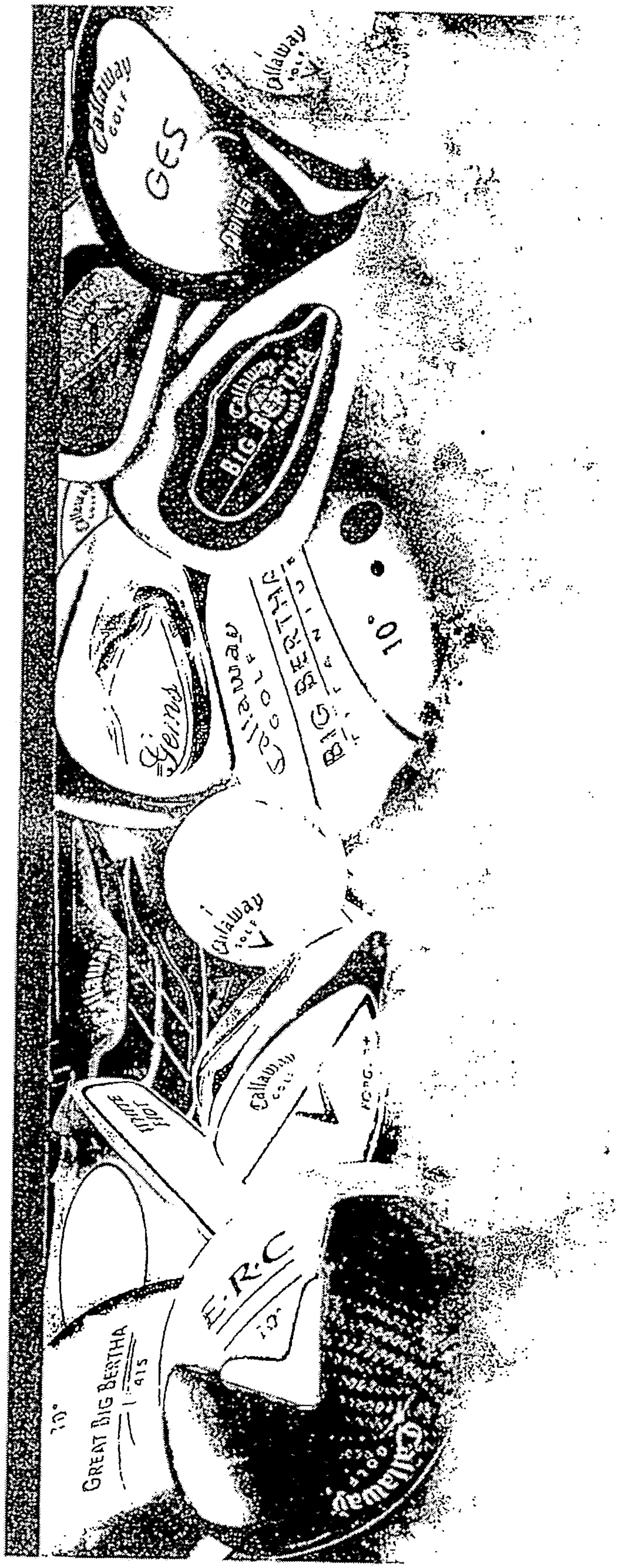
Exhibit N



CALLAWAY GOLF COMPANY

2003 ANNUAL REPORT

Case No. 06-91 (SLR)

PX-698

Date Entered: ____________

By: ____________

EXHIBIT
Yagley
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ms 5-9-07

with close-out pricing for discontinued Rule 35 golf ball products and a price reduction on all golf ball products implemented in August 2002, additional inventory reserves established on ERC II Drivers and Big Bertha C4 Drivers, a customs and duty assessment in Korea, and the $2.3 million charge related to the purchase of the Company's golf ball manufacturing equipment.

Selling expenses increased $11.9 million (6%) in 2002 to $200.3 million from $188.4 million in 2001, and were 25% and 23% of net sales, respectively. This increase was primarily due to increases in professional golf tour expenses of $6.4 million, depreciation expense of $3.9 million, commission expenses of $2.0 million and other promotional expenses of $1.9 million. These increases were partially offset by decreases in travel costs of $1.4 million.

General and administrative expenses decreased $14.5 million (20%) in 2002 to $56.6 million from $71.1 million in 2001, and were 7% and 9% of net sales, respectively. This decrease is mainly attributable to a decrease of $8.7 million in employee costs, a $6.0 million decrease in depreciation and amortization expenses (primarily due to the implementation of SFAS No. 142 — see Note 6 to the Consolidated Financial Statements) and reduced facility costs of $2.6 million. The decrease in employee costs is due to a reduction in personnel combined with higher severance expense of $2.9 million recorded in 2001.

Research and development expenses decreased $0.5 million (2%) in 2002 to $32.2 million from $32.7 million in 2001. As a percentage of net sales, the expenses remained constant at 4%. The decrease is primarily due to a decrease in depreciation expense of $0.6 million.

Interest and other income, net decreased $3.0 million (58%) in 2002 to $2.3 million from $5.3 million in 2001. The decrease is primarily attributable to a $1.5 million decrease in gains on sales of securities, a $1.4 million decline in licensing income, a $0.8 million decline in interest income, a $0.5 million decline in gains on investments to fund the deferred-compensation plan, a $0.5 million decline in foreign currency transaction gains and a $0.4 million decline in other income. These decreases were partially offset by $2.1 million of losses recorded in 2001 generated from the sale of the Company's excess energy supply related to an energy contract that was terminated in November of 2001.

Interest expense remained relatively constant in 2002 at $1.7 million, compared to $1.6 million in 2001.

Unrealized energy derivative losses totaled $19.9 million in 2001 as a result of the Company's long-term energy supply contract which was entered into during 2001. The unrealized losses were generated by the decline in electricity rates through November 2001. The Company did not have a similar contract in 2002. See "Supply of Electricity and Energy Contracts" below.

During 2002, the Company recorded a provision for income taxes of $42.2 million and realized $5.5 million in tax benefits related to the exercise of stock options. The provision for income tax as a percentage of income before taxes was 38% in 2002 as compared to 41% in 2001. The effective tax rate was lower in 2002 as compared to 2001 primarily as a result of the unrealized energy derivative losses recognized during 2001 and the elimination of non-deductible goodwill beginning in 2002 due to the implementation of SFAS No. 142.

Net income for the year ended December 31, 2002 increased 19% to $69.4 million from $58.4 million in 2001. Earnings per diluted share increased 26% to $1.03 in 2002 as compared to $0.82 in 2001. Net income in 2002 was positively impacted by the $17.0 million reduction in the warranty reserve (see above "Change in Accounting Estimate"). Net income in 2001 was negatively impacted by the $19.9 million energy derivative charge (see below "Supply of Electricity and Energy Contracts"). Excluding the $17.0 million non-cash warranty reserve adjustment recorded in 2002 and the $19.9 million non-cash energy derivative charge recorded in 2001, the Company's net income for 2002 as compared to 2001 would have decreased 19% to $58.9 million in 2002 from $72.6 million in 2001 and diluted earnings per share would have decreased 15% to $0.87 from $1.02.

The following summarizes what net income and earnings per share would have been had the warranty reserve adjustment and the energy derivative charge, adjusted for taxes, been excluded from reported results:

	For the Years Ended December 31,		Growth/(Decline)	
(In millions, except per share data)	2002	2001	Dollars	Percent
Reported net income	$ 69.4	$ 58.4	$ 11.0	19%
Non-cash warranty reserve adjustment	(10.5)	—		
Non-cash energy derivative charge	—	14.2		
Pro forma net income	$ 58.9	$ 72.6	$ (13.7)	(19)%
Reported basic earnings per share	$ 1.04	$ 0.84	$ 0.20	24%
Non-cash warranty reserve adjustment	(0.16)	—		
Non-cash energy derivative charge	—	0.20		
Pro forma basic earnings per share	$ 0.88	$ 1.04	$ (0.16)	(15)%
Reported diluted earnings per share	$ 1.03	$ 0.82	$ 0.21	26%
Non-cash warranty reserve adjustment	(0.16)	—		
Non-cash energy derivative charge	—	0.20		
Pro forma diluted earnings per share	$ 0.87	$ 1.02	$ (0.15)	(15)%

Financial Condition

Cash and cash equivalents decreased $61.2 million (56%) to $47.3 million at December 31, 2003, from $108.5 million at December 31, 2002. This decrease resulted primarily from cash used in investing activities of $167.9 million and cash used in financing activities of $13.4 million, substantially offset by cash provided by operating activities of $118.7 million. Cash flows used in investing activities are primarily attributable to cash used to purchase the Top-Flite assets ($160.3 million) and capital expenditures ($7.8 million). Cash flows used in financing activities are primarily attributable to the payment of dividends ($18.5 million), the acquisition of treasury stock ($4.8 million) and payments related to financing arrangements ($8.1 million), partially offset by proceeds from the exercise of employee stock options ($13.8 million) and purchases under the employee stock purchase plan ($4.2 million). Cash flows provided by operating activities reflect net income adjusted for depreciation and amortization ($44.5 million) and losses on the disposal of long-lived assets ($24.2 million — see above "Top-Flite Acquisition") combined with decreases in accounts receivables ($12.7 million) and inventories ($4.9 million), partially offset by increases in other assets ($4.7 million), accrued employee compensation and benefits ($3.9 million) and accounts payable and accrued expenses ($2.6 million).

At December 31, 2003, the Company's net accounts receivable increased $36.8 million to $100.7 million from $63.9 million at December 31, 2002. The increase is partially due to the addition of Top-Flite's accounts receivable which were $28.6 million at December 31, 2003. Excluding the Top-Flite balances, accounts receivable would have increased $8.2 million.

At December 31, 2003, the Company's net inventory increased $33.6 million to $185.4 million from $151.8 million at December 31, 2002. This increase was due to the addition of Top-Flite's inventory which was $39.9 million at December 31, 2003. Excluding the Top-Flite balances, inventory would have decreased $6.3 million in 2003 as compared to 2002.

At December 31, 2003, the Company's net property, plant and equipment decreased $2.5 million to $164.8 million from $167.3 million at December 31, 2002. This decrease is primarily due to current-year depreciation and amortization expense of $42.5 million and the disposal of $24.1 million of assets during the fourth quarter of 2003, resulting from efforts to consolidate the Callaway Golf and Top-Flite golf ball and golf club manufacturing and research and development operations (see above "Top-Flite Acquisition"). These decreases were partially offset by the addition of Top-Flite property, plant and equipment of $56.7 million and current-year capital expenditures of $7.8 million.

At December 31, 2003, the Company's net intangible assets increased $46.5 million to $149.6 million from $103.1 million at December 31, 2002. This increase is due to the addition of Top-Flite intangible assets of $47.6 million in 2003.

Liquidity

Sources of Liquidity

The Company's principal sources of liquidity, both on a short-term and long-term basis, for the periods presented generally have been cash flows provided by operations. The Company currently expects this to continue over the long-term. In the short term, however, given the significant amount of cash used in the Top-Flite acquisition, the Company intends to supplement its cash provided by operations with its credit facilities. At December 31, 2003, the Company had a revolving line of credit with Bank of America and certain other lenders to borrow up to $100.0 million (the "Credit Facility"). At December 31, 2003, there were no borrowings outstanding under the Credit Facility and the Company was in compliance with the covenants prescribed by that facility. As expected, during the first quarter of 2004 the Company began using its line of credit. Also during the first quarter of 2004, as a result of the recent Top-Flite Acquisition and normal seasonality of the Company's business, the Company obtained a commitment (subject to customary loan documentation and closing conditions) for an additional $25.0 million unsecured line of credit with Bank of America. The purpose of this commitment is to ensure an additional source of liquidity during the first part of the new golf season during which the Company typically uses more cash than it generates. During the second quarter, the Company typically begins generating cash in excess of its cash needs. The Company expects that all amounts borrowed under its credit facilities will be paid off by the end of the second quarter and that the Company will thereafter continue to generate cash for the balance of the year.

The Credit Facility is scheduled to be available until November 2004, subject to earlier termination in accordance with its terms and subject to extension upon agreement of all parties. Upon the expiration of the Credit Facility, provided the Company is not in default of the terms of the Credit Facility and subject to certain conditions, the Company has the option to convert the amounts outstanding under the Credit Facility into a one-year term loan.

Subject to the terms of the Credit Facility, the Company can borrow up to a maximum of $100.0 million. The Company is required to pay certain fees, including an unused commitment fee equal to 12.5 to 20.0 basis points per annum of the unused commitment amount, with the exact amount determined based upon the Company's Consolidated Leverage Ratio. For purposes of the Credit Facility, "Consolidated Leverage Ratio" means, as of any date of determination, the ratio of "Consolidated Funded Indebtedness" as of such date to "Consolidated EBITDA" for the four most recent fiscal quarters (as such terms are defined in the Credit Facility agreement). Outstanding borrowings under the Credit Facility accrue interest at the Company's election at (i) the higher of (a) the Federal Funds Rate plus 50.0 basis points or (b) Bank of America's prime rate, and in either case less a margin of 50.0 to 100.0 basis points depending upon the Company's Consolidated Leverage Ratio or (ii) the Eurodollar Rate (as such term is defined in the Credit Facility agreement), plus a margin of 75.0 to 125.0 basis points depending upon the Company's Consolidated Leverage Ratio. The Company has agreed that repayment of amounts under the Credit Facility will be guaranteed by certain of the Company's domestic subsidiaries and will be secured by the Company's pledge of 65% of the stock it holds in certain of its foreign subsidiaries and by certain intercompany debt securities and proceeds thereof.

The Credit Facility agreement requires the Company to maintain certain minimum financial covenants. Specifically, (i) the Company's Consolidated Leverage Ratio may not exceed 1.25 to 1.00 and (ii) Consolidated EBITDA (which would exclude certain non-cash charges related to the restructuring of the Company's golf ball operations) for any four consecutive quarters may not be less than $50.0 million. The Credit Facility agreement also includes certain other restrictions, including restrictions limiting additional indebtedness, dividends, stock repurchases, transactions with affiliates, capital expenditures, asset sales, acquisitions, mergers, liens and encumbrances and other matters customarily restricted in loan documents. The Credit Facility also contains other customary provisions, including affirmative covenants, representations and warranties and events of default.